

A Look Forward and Back



It appears that at least 57,000 new jobs were created in Utah over the past year.

Another year has passed. They seem to come and go faster and faster in relation to how much slower and slower our bodies operate. In other words, the older we get, the faster the years seem to go by.

But economically, it was a good year for Utah! Job growth advanced at the top end of the historic scale; unemployment fell to a new low. That type of profile of economic performance doesn't come along very often. It is producing a powerful boost to the state in terms of new jobs, increasing incomes, and strong tax revenues that support education and infrastructure needs. Rarely does the overall picture get any better than this.

All things appear to have a way of balancing out. During the economic slowdown of the early 2000s, a 2002 narrative could have said, "rarely does Utah's economy get any worse than this." The state had lost jobs, unemployment was high, and the state legislature was dealing with a revenue shortfall. What a difference a few years make! Ah yes—the occasional roller coaster ride of the economy.

At the time of this writing, 2006 employment growth is still developing. It appears that Utah's economy will have grown by 5

percent or better for 2006. If so, 5 percent means that at least 57,000 new jobs were created in Utah over the past year. That's the best employment growth rate since 1996—ten years ago—and never has Utah added this many new jobs to the economy in one year.

This economic growth's greatest strength is its diversity. All industrial sectors are adding new jobs. Now, they are not all adding new jobs at an equal rate, but they are all adding new jobs.

Construction is the leading industry. It is just flat-out booming in Utah. When the year is all said and done, construction will likely have added around 14,000 new jobs. That would be about every 1-in-4 new jobs.

The other big job-growth sector is professional and business services, adding around 10,600 new jobs to the economy. That would be about 1-in-5 new jobs. The good thing about this sector is that half of these new jobs are in the high-paying professional and technical area. These are the kinds of jobs we need here in Utah.

Wage growth is quite strong this year, projected to grow at a 5.4-percent rate. If this forecast holds, this would be the best Utah wage

Source: American Community Survey

increase since 1992. Wage increases are inversely correlated with the unemployment rate. In other words, when the unemployment rate declines, wage rates tend to increase. Why? Because there are fewer available workers to fill empty slots, and businesses begin to bid for workers. The bottom fell out of Utah's unemployment rate in 2006, and correspondingly, we saw a rapid increase in wages for workers.

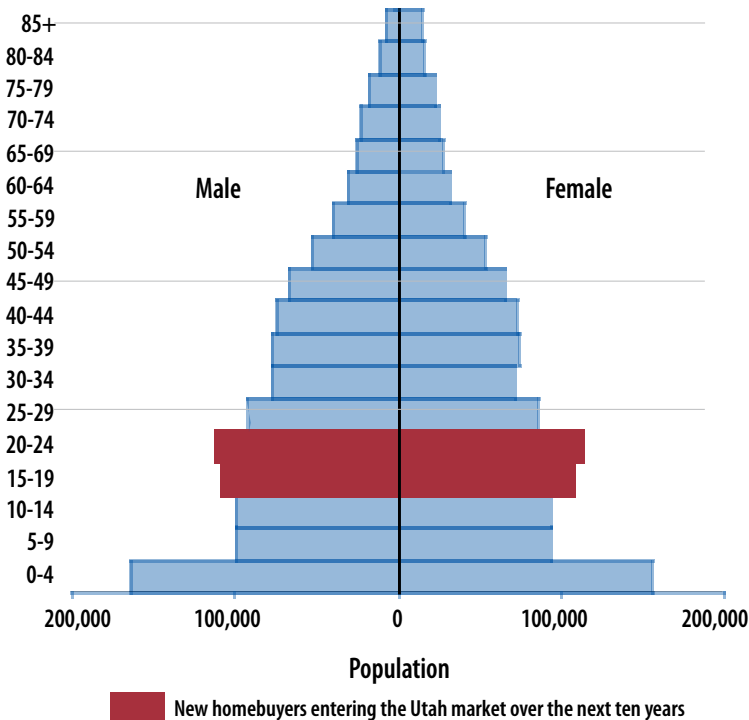
One other characteristic to note on the 2006 economy is the evenly-spread prosperity throughout the state. The good times aren't just limited to Utah's metropolitan area, but also out into its non-

metropolitan surroundings. All regions are adding jobs at a good pace, particularly the Uintah Basin with its current energy boom, and the southwest corner where Iron and Washington counties are rapidly developing.

What can we expect for 2007? More of the same, but not quite as fast. Employment growth above 5 percent is hard to sustain for several years, especially when the unemployment rate has plummeted. The longer you go with historically low unemployment rates, the more concern there is about the market's ability to supply additional workers. The local population can only contribute

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Utah's Population by Age and Sex: 2000 Census

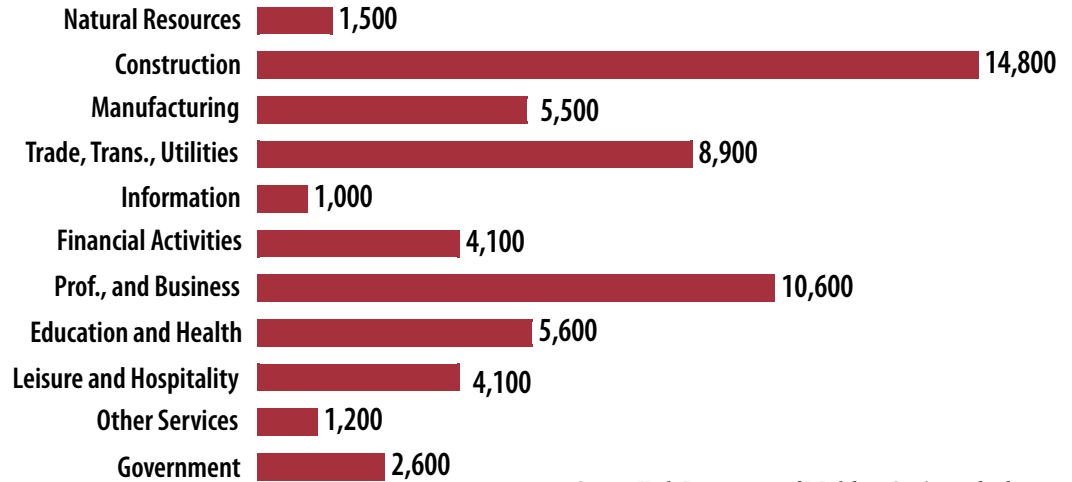


Note: This is 2000 Census data. Each of these groups has moved up one tier as of 2005, and a new group has populated the 0-4 category.



Utah Non-Farm Job Growth

(Numeric Change) 2005 – 2006^f



Source: Utah Department of Workforce Services f = forecast

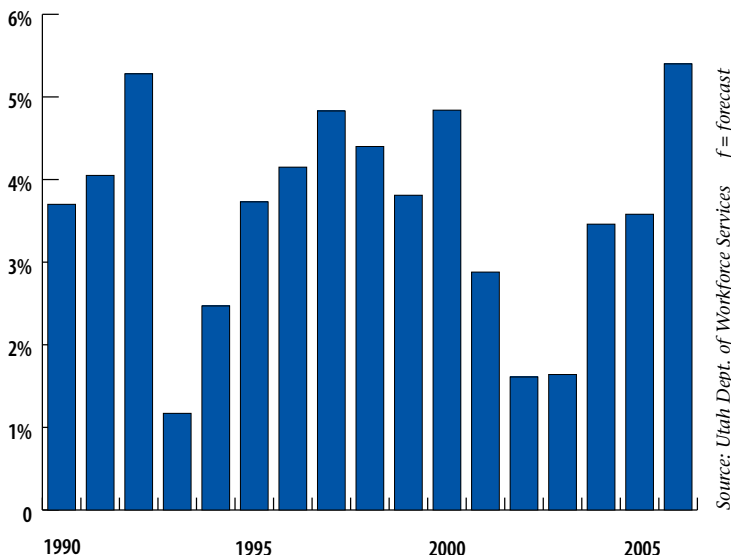
so much. The rest of the growth has to come from in-migration. A weak national economy and continued international in-migration should keep augmenting Utah's labor force expansion, but the odds still favor a slowing in labor force growth for 2007. Employment growth of 4.7 percent is expected, and is still a commendable growth rate.

The construction boom should continue to carry into 2007. The LDS Church's redevelopment of two

downtown blocks will be the standard bearer for commercial construction for the next several years. But it is not the only project on the table in Utah. That table is plenty full—and that's just commercial activity. Residential construction is the foundation of Utah construction activity, and it is slated to remain strong for the next decade. Just look at Utah's demographic makeup.

Outside of the zero-to-ten year olds, Utah's largest age group is the 20-to-

30 year olds. That group of people is either in or will be moving into their household formation years. Young people commonly decide to marry, start a family, and settle into a life together. As their employment opportunities allow, they will move from being renters to homebuyers. They will be doing this in large numbers over the next ten years, which looks like plenty of fuel for Utah's housing industry. ⓘ



Utah Average Wage Growth

Percentage Increase
1990 – 2006^f